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FM AMEMBASSY CARACAS
TO RUEHC/SECSTATE WASHDC 9711
INFO RUEHHH/OPEC COLLECTIVE
RUEHAC/AMEMBASSY ASUNCION 0877
RUEHBO/AMEMBASSY BOGOTA 7504
RUEHBR/AMEMBASSY BRASILIA 5985
RUEHBU/AMEMBASSY BUENOS AIRES 1673
RUEHLP/AMEMBASSY LA PAZ 2583
RUEHPE/AMEMBASSY LIMA 0860
RUEHSP/AMEMBASSY PORT OF SPAIN 3484
RUEHQT/AMEMBASSY QUITO 2675
RUEHSG/AMEMBASSY SANTIAGO 3999
RUEHDG/AMEMBASSY SANTO DOMINGO 0505
RUMIAAA/HQ USSOUTHCOM MIAMI FL
RHEHAAA/WHITEHOUSE WASHDC
RHEBAAA/DEPT OF ENERGY
RUCNDT/USMISSION USUN NEW YORK 0920
RUCPDO/DEPT OF COMMERCE
RUEATRS/DEPT OF TREASURY
RHEHNSC/NSC WASHDC

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ENERGY FOR CDAY AND ALOCKWOOD
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SUBJECT: PDVSA REVENUES UP, PROFITS DOWN FOR 2006

1. (SBU) SUMMARY: PDVSA reported 2006 gross revenues of 99.3 billion USD, a 19.7% increase over 2005, and net profits of 5.5 billion USD, a decline of 16%. The principal reason for the decline in net profits was an almost 100% increase in social development expenditures. Administrative expenses increased by 31%. Several key figures, such as production and internal consumption, varied widely from private sector analysts' figures. END SUMMARY.

PDVSA'S 2006 FINANCIAL STATEMENT

2. (SBU) PDVSA's 2006 financial statement reported gross revenues of USD 99.3 billion and net profits of USD 5.5 billion. Gross revenues increased by 19.7% year on year (yoy) but net profits declined by 16%. The principal cause for the decline in net profits was a 99.5% increase in social spending in 2006 over 2005. (NOTE: The increase in social spending in percentage terms may actually be less. PDVSA stated social spending outlays for 2006 were USD 13.78 billion in its consolidated income statement, but the PDVSA president's statement on August 10, 2007 stated it was USD 11.99 billion. PDVSA's social spending in 2005 was USD 6.9 billion. END NOTE). According to PDVSA, approximately USD 6.4 billion dollars of its social expenditures went to the National Development Fund (Fonden) and USD 229 million went to the Economic and Social Development Fund (Fondespa).

3. (SBU) Expenditures other than social expenditures rose 20.9% as compared to a 19.7% increase in gross revenues. Administrative, sales, and general expenses rose 31% during the same period from USD 1.667 billion in 2005 to USD 2.18 billion in 2006. We attribute the steep increase to the significant increase in the number of PDVSA employees in 2006.

4. (SBU) According to PDVSA, its total contribution to the Venezuelan government in 2006 was USD 39.2 billion, a

significant increase over the previous two years. The figure includes USD 11.993 billion in social contributions, USD 17.5 billion in royalties, USD 797 million in extraction tax, USD 1.3 million in dividends, and USD 7.59 billion in income taxes. Royalties and extraction tax receipts increased 61.6% yoy (USD 18.3 billion as opposed to USD 11.3 billion in 2005) due to an increase in royalty rates and the creation of the extraction tax. On the other hand, income taxes decreased 30.4% between 2005 and 2006.

KEY OPERATIONAL FIGURES

¶5. (SBU) According to PDVSA, its 2006 crude production figure was 3.25 million barrels per day, down slightly from 2005's figure of 3.274 barrels per day. Liquid natural gas production increased from 165,000 barrels per day in 2005 to 177,000 barrels per day in 2006.

¶6. (SBU) Total national exports claimed by the report were 2.975 million barrels per day in 2006 as opposed to 2.993 million barrels in 2005. The average price of the Venezuelan oil basket was USD 55.21 per barrel in 2006, up sharply from USD 46.15 in 2005. PDVSA reported that Venezuela's internal market consumption was 548,000 barrels per day.

COMMENT

¶7. (SBU) As we have reported in the past, private sector analysts believe that PDVSA's crude production figures are somewhere in the area of 2.4 - 2.6 million barrels per day. We have also noted that we believe Venezuelan internal market

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consumption is in the neighborhood of 650,000 barrels per day. Some private sector analysts believe that it is as high as 700,000 barrels per day.

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